

Chairperson: Steve Cady, 278-4347

Clerk: Jodi Mapp, 278-4073

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, July 31, 2006 – 9:00 a.m.

Milwaukee County Courthouse - Room 203-P

MINUTES

CASSETTE: 11; Side A, 501 to EOT
11; Side B, 001 to EOT
12; Side A, 001 to 578

PRESENT: Mark Grady, Susan Walker, Veronica Britt, and Steve Cady (Chair)

EXCUSED: Rick Ceschin

SCHEDULED ITEMS:

**** CLOSED SESSION ****

The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(f), for the purpose of discussing the following matter(s). The Committee may reconvene into open session to take whatever action(s) it may deem necessary on the said matter(s).

1. 06DC22 Appeal(s) from deferred compensation participant(s) of decisions regarding request(s) for hardship withdrawal(s) of funds from Milwaukee County's Deferred Compensation Plan.

11/A-516 **There were no appeals.**

2. 06DC23 Report from Department of Administrative Services-Information Management Services Division (DAS-IMSD) and Ceridian Corporation regarding the status of the proposed human resource and payroll interface with the County's Deferred Compensation program. **(VERBAL REPORT FROM IMSD, MEMO FROM GREAT-WEST RETIREMENT SERVICES, INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCES:

Hugh Morris, Business Systems Project Manager, Information Management Services (DAS)

Paul Corchado, Great West Retirement Services

Kelly Nesemann, Project Manager, Ceridian

SCHEDULED ITEMS (CONTINUED):

- 11/A-543 Mr. Morris distributed a memo (copy attached to original minutes) and indicated the initial test of running the Ceridian payroll system was recently completed in July. In that payroll, a file was generated through an interface and forwarded to Great-West. Great-West did some initial processing on the file, sent it back to Ceridian, and requested that changes be made. Ceridian made the adjustments and returned the file back to Great-West. Ceridian is now awaiting feedback from Great-West. Mr. Morris stated that Ceridian is also requesting that a return file be generated from Great-West that will facilitate more support of web enrollment. This should also alleviate some of the work done by Central Payroll making the whole process more efficient.
- 11/A-563 Mr. Corchado explained that Great-West is in the process of providing Ceridian with a customized file layout for the salary deferral file, which will allow participants to make adjustments to their salary deferral amount via the internet. This new file format is going to take some time to create and may not be available until the early part of 2007. The letter provided by Great-West (copy attached to original minutes) detailed this process.
- 11/A-588 Ms. Nesemann stated that at this time, employees would continue the process of filling out the appropriate paperwork and taking it down to Central Payroll who would then, in turn, key in the deductions. Once the web is up, Ceridian would like to have Great-West produce a file that Central Payroll would import into Ceridian's HR payroll web product. She indicated that if for some reason the interface could not be done, web enrollment could still be done. Central Payroll would just have to pull a report to get the deferral amounts.

Questions and comments ensued.

The Committee took no action regarding this informational item.

3. 06DC24 From Ennis Knupp and Associates, providing a report on the Heartland Value Fund.

APPEARANCES:

Laurel Nicholson, Ennis Knupp and Associates
Russ Ivinjack, Ennis Knupp and Associates

- 11/A-617 Ms. Nicholson referenced the report submitted (copy attached to original minutes) and stated that the Heartland Value Fund currently holds about 3% of the plan assets, which is roughly \$6 million of participant assets. She indicated that in recent months, there has been staff changes that have taken place within the firm involving portfolio managers. Those changes were explained in detail. There is no recommendation to take any action at this time due to the firm's staff changes; however, Ennis Knupp will continue to monitor the situation closely. They met

SCHEDULED ITEMS (CONTINUED):

with the Heartland team in June, and they are scheduled to meet again today. Ms. Nicholson went on to state that Heartland is a small cap value fund with some micro-cap exposure. Its return history is somewhat volatile, but it has been successful and outperformed over the long term. As of late 2005 and recently, it had a good run of performance. A year ago they saw some bumps in the road, but overall performance has been strong. Ms. Nicholson indicated that they continue to think that Heartland is an appropriate offering within the plan.

Questions and comments ensued.

- 11/A-689 The Chairman raised a question regarding the past performance score. He wanted information as to how a fund earns points and how the score is calculated. Ms. Nicholson stated that the score is based on a confidence level analysis, volatility, length of the track record, and the Sharp Ratio analysis, which she explained in detail.

4. 06DC25 From Ennis Knupp and Associates, providing a report on the Washington Mutual Fund.

APPEARANCES:

Russ Ivinjack, Ennis Knupp and Associates

Laurel Nicholson, Ennis Knupp and Associates

- 11/B-046 Mr. Ivinjack stated Washington Mutual is a large cap fund. This fund is unique in that it, by charter, focuses on very high quality stocks or companies that have a great consistent track record of paying dividends. It is called a blue chip fund with a dividend focus. This fund holds about \$4.3 million, which is about 2% of plan assets. Over the past three years, this has been a market place that has not liked high quality or blue chip stocks. This has hurt performance. Mr. Ivinjack went on to explain that when you look at this fund's performance versus the Russell 1000 Value index, which is the most common value benchmark used, this has been a handicap for the fund relative to the benchmark and has also hurt performance. He reviewed for the Committee the various charts and graphs contained in the report (copy attached to original minutes).

Ennis Knupp's overall assessment of the fund is to retain it and continue to watch performance. Mr. Ivinjack indicated that they still believe Capital Research is one of the best firms in the marketplace. It is felt that much of their underperformance is more of a reflection of their overall investment style being so high quality blue chip focused as opposed to poor execution in totality. It is obvious that some stocks have not performed as well, pharmaceuticals being an example. He stated that they think over the long term, this fund will serve participants well because it plays an important role as being the defensive equity oriented fund in the program.

SCHEDULED ITEMS (CONTINUED):

Questions and comments ensued.

The Committee took no action regarding this informational item.

5. 06DC26 Second Quarter 2006 Performance Report, from Ennis Knupp and Associates.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE:

Laurel Nicholson, Ennis Knupp and Associates

- 11/B-466 Ms. Nicholson gave the Committee an update on the Second Quarter Performance Report (copy attached to original minutes) providing an overview of the areas including Market Environment, Fixed Income Funds, Balanced Funds, U.S. Stock Funds, and Non-U.S. Stock Funds.

Questions and comments ensued.

The Committee took no action regarding this informational item.

6. 06DC27 Communication from Great-West Retirement Services regarding mutual fund revenue sharing and Stable Value Fund management fees.

APPEARANCE:

Sue Oelke, Great-West Retirement Services

- 12/A-001 The Chairman initiated discussion on this item by stating that this proposal letter from Great-West (copy attached to original minutes) addresses the issue of commissions that are paid by mutual fund companies to the third party administrator. These commissions are retained by Great-West under the contract terms. Upon further analysis, Great-West indicated that as the fund assets have grown, the mutual fund re-allowances or commissions are growing and per the contract, are being kept by Great-West. Great-West is proposing to cap the amount of the commissions that are retained by them each year at \$125,000. Any excess would be put back into the plan and deposited in the forfeiture account to be used for other plan activities. This would be effective as of January 1st of this year, so it would be in place for the entire year. They are also proposing a five basis point reduction in the stable value fund management fee from 40 to 35 basis points if and when the stable value fund reaches \$100 million size in assets.

- 12/A-56 Ms. Oelke concurred with the Chairman by stating that the reimbursables have gotten quite large. Great-West felt this was something that should be brought to the Committee's attention, and therefore offers the proposal for partnership as it

SCHEDULED ITEMS (CONTINUED):

relates to the sharing of this additional revenue.
Questions and comments ensued.

ACTION BY: (Grady) Accept and approve terms and conditions under Items 1 and 2 as set forth in the proposal letter dated June 12, 2006, submitted by Great-West. (Motion seconded by Britt.) 4-0

AYES: Grady, Walker, Britt and Cady (Chair) – 4

NOES: 0

7. 06DC28 From Great-West Retirement Services, an update on proposed improvements to participant communication for Milwaukee County's Deferred Compensation Plan.

APPEARANCE:

Sue Oelke, Great-West Retirement Services

- 12/A-212 Ms. Oelke began by referring the Committee to the report reflecting the various web design options (copy attached to original minutes). She stated that three different options were presented at the last scheduled meeting. At that time, the Committee made a decision to move ahead with some modifications to Option #2, the ticket design. Comments made by the Committee were taken back to the web team who came up with two different ticket designs, which are attached to the report. It is anticipated that the new look ultimately selected will stay in effect for three to four years at which time it will need refreshing. Ms. Oelke stated these options are now before the Committee for consideration and possible approval of the layout and the design of the marketing pieces. The intention is to launch the new website in October of this year.

Committee members expressed concern regarding the photo of Miller Park displayed in the first example web design since it is not a County sponsored facility.

Questions and comments ensued.

After further discussion, the Committee selected the first web design presented in the report with the following modifications: replace the Miller Park photo with another major Milwaukee County sponsored landmark, make pictures incorporated in the design bigger, and lastly, add color to the white ticket currently displayed.

- 12/A-422 The second part of this item pertains to the newsletter. In the past, plan participants have received a standard newsletter. Great-West forwarded a letter (copy attached to original minutes) stating they would like to produce a semi-custom newsletter for Milwaukee County. They would take the ticket theme used for the website and create a mast heading. Milwaukee County would have

SCHEDULED ITEMS (CONTINUED):

control over what is presented on the home page. Approximately 45 days before the end of each quarter, they would submit to the Committee sample articles from Smart Money. The Committee would then pick and choose the articles to appear in the newsletter as well as any special articles. This gives the option to communicate directly with the participants and offer plan specific information without doing a direct marketing campaign. It is anticipated to introduce the custom newsletter at the same time as the launch of the new website.

Questions and comments ensued.

- 12/A-451 The last part of this item pertains to the EMJAY move. It was decided earlier this year by the Committee to move the primary call center from Denver, Colorado to Glendale, Wisconsin, which is located in Milwaukee County. The Committee requested that Great-West come back with a communication plan as to how participants would be informed of this change (copy attached to original minutes). Ms. Oelke indicated Great-West intends to get the new call center information to plan participants by including a business card in the letter the Committee plans to send regarding the fee reduction, post the new information on the home page of the website and in the new newsletter, include it with the quarterly statement, sticker existing marketing pieces, and change voice mail for local staff to include the new phone number.

Questions and comments ensued.

The Committee took no voting action regarding this informational item.

8. 06DC29 Future regularly scheduled meetings of the Select Committee on Deferred Compensation:
- November 13, 2006
 - February 12, 2007

(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

- 12/A-548 The Chairman announced the next two regularly scheduled meeting dates of November 13, 2006 and February 12, 2007. He stated that he would be contacting Committee members and consultants to add more meeting dates for 2007. This should help as far as the submission of reports, reserving rooms, and planning vacations. The Chairman indicated that if there were any hardship withdrawal requests that would require the Committee to meet prior to the next scheduled meeting date, everyone would be notified.

SCHEDULED ITEMS (CONTINUED):

STAFF PRESENT:

Hugh Morris, Business Systems Project Manager, Information Management Services (DAS)

This meeting was recorded on tape. Committee files contain copies of the subject reports, communications, resolutions, and ordinances, which may be reviewed upon request to the Chief Committee Clerk. The official copy of these minutes is available in the County Board Committee Services Division.

Length of meeting: 9:00 a.m. to 11:00 a.m.

Adjourned,

Jodi Kapp

Committee Clerk

Select Committee on Deferred Compensation